



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

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M/037/081

August 8, 2000

CERTIFIED MAIL NO. P 959 217 979

Jerry Holliday
465 W. 400 No.
Blanding, UT 84511



RE: ML 45960-BSLS; DOGM Permit # M/037/081

Dear Mr. Holiday,

The Trust Lands Administration is recently in receipt of royalty payment for the periods January 1 thru December 31, 1999, and January 1 thru June 30, 2000, for production of rip-rap from lands covered by the above numbered mineral lease. The royalty payments received are \$1,993.66 and \$16,691.11, respectively.

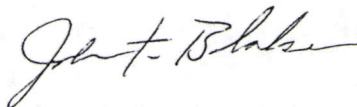
ARTICLE VI of the terms and conditions of the lease requires that payment of production royalty be made on or before the last day of the month next succeeding the month during which the leased substances are quarried and removed from the leasehold. Also, Lessee shall submit a certified statement of the leased substances produced, together with such other information required by the Lessor to verify production. In the event of late royalty payment, Rule R850-5-300 enables Lessee to remedy such breach by paying interest on the delinquent royalty.

Lessee is hereby notified that Lessee is in breach of ARTICLE VI for failure to timely pay royalties upon production from the lands leased under ML 45960-BSLS. ARTICLE XIX provides that if such breach shall continue for a period of thirty days from date of this letter this lease may be cancelled at the option of the Director.

Remedy requires that Lessee immediately submit to the Trust Lands Administration a certified, detailed, statement of all production of leased substances from the leased lands. Said statement must include an itemized description of all sales, listing the names and addresses of purchasers, dates of sale, tonnages sold, copies of weight tickets, payments received by the Lessee and any deductions claimed in calculating royalties. Upon receipt of said statement the Trust Lands Administration will compute penalty due upon the delinquent royalties and require payment from Lessee.

Failure of Lessee to submit the information requested above within the next thirty days may result in cancellation of this lease without further notice. Please contact me if you have any questions in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "John T. Blake".

John T. Blake
Mineral resources Specialist

CC: Tom Faddies
Ron Carlson
Tony Gallegos